



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Terms of Reference of the Remuneration Committee

(adopted on 26 March 2012)

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1. Constitution

- 1.1 The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) had resolved on 22 December 2005 to establish a committee known as the Remuneration Committee (the “Committee”) to assist the Board to formulate and review the remuneration policy and the specific remuneration packages of all executive directors and senior management of the Company and its subsidiaries (collectively, the “Group”).

2. Membership

- 2.1 The Committee members shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members. The majority of the Committee members must be independent non-executive directors.
- 2.2 The Chairman of the Committee shall be an independent non-executive director of the Company as appointed by the Board.
- 2.3 The terms of office of the Committee members shall be determined by the Board.
- 2.4 The quorum of the Committee shall be any two Committee members.
- 2.5 The Company Secretary of the Company, or any person duly appointed by the Committee, shall act as the secretary of the Committee.

3. Attendance at Meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. The Committee may invite persons, including the Chairman, the Chief Executive and other senior management of the Company or the Group, to attend meetings where appropriate to assist in the effective discharge of the Committee’s duties.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least one time a year. Any Committee member or the secretary of the Committee may convene Committee meeting if necessary.

5. Minutes

- 5.1 Full minutes of the Committee meeting should be kept by the secretary of the Committee. Draft and final version of minutes of the Committee meeting should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting.

6. Authority

- 6.1 The Committee should consult the Chairman and/or the Chief Executive about their remuneration proposals for other executive directors. The Committee should have access to independent professional advice if necessary.
- 6.2 The Committee should be provided with sufficient resources to discharge its duties.

7. Terms of Reference

The specific duties of the Committee shall be:

- 7.1 to make recommendations to the Board on the Group's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- 7.2 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 7.3 to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- 7.4 to make recommendations to the Board on the remuneration of non-executive directors;
- 7.5 to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- 7.6 to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- 7.7 to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- 7.8 to ensure that no director or any of his associates is involved in deciding his own remuneration.

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